

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Milwaukee Water Works, Milwaukee County,
For Authority to Increase Water Rates

Docket No. 3720-WR-107

REBUTTAL TESTIMONY OF JAMES R. WOJCEHOWICZ
May 14, 2010

1 **Q. Please state your name, occupation and business address.**

2 A. My name is James R. Wojcehowicz. I am the Water Superintendent for the City of
3 Wauwatosa. My business address is 7725 W. North Avenue, Wauwatosa, Wisconsin
4 53213.

5 **Q. Please describe your educational and professional history.**

6 A. I graduated from the University of Wisconsin-Milwaukee with a Bachelor of Business
7 Administration Degree with an emphasis on Industrial Relations. I attained my degree by
8 attending night school while working full time during the day for the City of Milwaukee.

9 I am currently employed by the City of Wauwatosa as the Water Superintendent
10 for the Wauwatosa Water Utility. The City of Wauwatosa is a wholesale customer of the
11 Milwaukee Water Works. I have served in this capacity since July 1, 2001 (8 years 10
12 months). I oversee a staff of nineteen full time employees who provide water service for
13 over 46,000 residents, along with numerous commercial, industrial and public authority
14 customers. I am directly responsible for all water utility operations in Wauwatosa
15 including water supply issues, storage facilities, distribution system, meter services and
16 all business operations. As a Department Director, I report directly to our City
17 Administrator.

1 Prior to my current position, I was employed by the City of Milwaukee for twenty
2 years in the Department of Public Works. During fifteen of those twenty years, I held
3 water distribution management positions for the Milwaukee Water Works. My last
4 position was as a Water Distribution Supervisor II in charge of scheduling water
5 distribution repair personnel. I also performed numerous public works related duties
6 throughout my career which began as a seasonal laborer in 1978.

7 **Q. On whose behalf are you providing testimony?**

8 A. I am testifying on behalf of the customers of the Wauwatosa Water Utility and the other
9 Milwaukee wholesale customers who may also benefit from my testimony.

10 **Q. Have you reviewed the pre-filed direct testimony and exhibits submitted in this case,**
11 **including the cost of service study (COSS) prepared by Public Service Commission**
12 **staff?**

13 A. Yes.

14 **Q. What is the purpose of your testimony?**

15 A. I would like to respond to the following issues raised in the pre-filed direct testimony or
16 exhibits previously submitted:

17 (1) Milwaukee's Proposed Economic Development Water Rate;

18 (2) Milwaukee's Meter Replacement Program Expenses;

19 (3) Milwaukee's Cross Connection Control Expenses;

20 (4) Milwaukee's Unaccounted for Water Loss; and

21 (5) Milwaukee's Capital Improvement Funding and Payments to the City of Milwaukee's
22 General Fund.

23 **Q. Please discuss the first issue you mentioned, Milwaukee's proposed economic**
24 **development water rate.**

1 A. The City of Milwaukee asks the PSC to approve a "Water Attracting Valued Employers"
2 rate, or a "WAVE" rate. According to the Milwaukee City Council resolution seeking a
3 WAVE rate, a WAVE rate would be a reduced water rate that would attract water-
4 intensive businesses bringing new jobs to the City of Milwaukee, and that would
5 encourage existing water-intensive businesses to expand water use and add new jobs
6 within the City of Milwaukee. (Exhibit 1.11.) The City Council's resolution further
7 states that a WAVE rate could result in long-term benefit to the taxpayers of the City of
8 Milwaukee by adding tax base and creating jobs, and could benefit the ratepayers of the
9 MWW by absorbing some of the available excess capacity and mitigating costs related to
10 that excess capacity.

11 PSC witness, Andrew Behm, submitted testimony and exhibits, including a
12 proposed economic development water rate for Milwaukee Water Works. (Exhibit 12.3.)
13 It is my understanding that this economic development water rate is only available to
14 customers located within the City of Milwaukee's retail service area.

15 On behalf of the Wauwatosa Water Utility, I strongly object to the economic
16 development water rate in Exhibit 12.3 as it is currently proposed. Milwaukee is not
17 alone in the need for economic redevelopment. During 2002 and 2003, the Wauwatosa
18 Water Utility lost three of our top ten water sales customers as their businesses shut down
19 their operations. In addition, our number one overall customer drastically changed its
20 operations reducing its water consumption pattern. Wauwatosa's annual water sales
21 figures for our top ten customers plummeted from 714,313 ccf in 2002 to only 281,468
22 ccf in 2009. (Exhibit 2.25.) That translates to a 61% reduction in water sales to our top
23 ten water sales customer list. On the revenue side, in 2002 our top ten customers
24 generated \$849,477 in revenue but in 2009 the total revenue from our top ten customers
25 dropped to \$532,504. That translates to a reduction in revenue of \$316,973 from our top

1 ten water sales customers. Wauwatosa also would like to see an increase in water-
2 intensive businesses and jobs in the City of Wauwatosa.

3 If an economic development water rate is approved for businesses in the City of
4 Milwaukee, but not for businesses locating in the City of Wauwatosa, the PSC would be
5 granting businesses located in the Milwaukee retail service area an unfair economic
6 advantage over businesses located or locating in the Wauwatosa service area.

7 The City of Milwaukee treats the excess capacity in its system as a local asset
8 which could be made available to new and expanding large water users within the City,
9 but the City of Wauwatosa water ratepayers have helped pay for the cost of building this
10 excess capacity. Wauwatosa has been a wholesale customer of MWW since 1963. If this
11 excess capacity is viewed solely as an asset of the City of Milwaukee, and available to be
12 used for economic development purposes solely within the Milwaukee retail service area,
13 then Wauwatosa ratepayers should not be expected to share in the cost of continuing to
14 retain this excess capacity.

15 The Wauwatosa Water Utility also has excess capacity as a result of the loss of or
16 reduction of water sales to our major volume customers since 2002. Additional water
17 sales in Wauwatosa would still benefit MWW as Wauwatosa is also within the MWW
18 service area. Wauwatosa should not be discriminated against and our utility should also
19 be eligible for a similar economic development rate.

20 **Q. Please discuss the second issue you mentioned, MWW's water meter replacement**
21 **program.**

22 A. MWW General Manager Carrie Lewis states in her testimony that in 2010, the
23 Milwaukee water utility will embark on a multi-year program to replace about 156,000
24 residential and small commercial water meters in the MWW service area. (D1.4, lines 5-
25 6.) None of the expenses associated with this program should fall upon the wholesale

1 customers. Not only do the wholesale customers receive no benefit from this activity,
2 each wholesale customer is required to maintain the meters in its own service area.

3 Wauwatosa customers bear the cost of maintaining, and if necessary replacing, the water
4 meters in Wauwatosa's service area. They should not also bear the costs of replacing the
5 water meters in Milwaukee's retail service area.

6 **Q. Please discuss the third issue you mentioned, MWW's cross connection control**
7 **program.**

8 A. Carrie Lewis states in her testimony that in 2006, MWW began a cross-connection
9 inspection program for commercial and industrial premises, and that commercial and
10 industrial premises are inspected on a ten-year cycle. (D1.3, lines 8-12.) She further
11 states that this program adds approximately \$1.1 million to the annual operating budget.
12 MWW's cross connection control program targets Milwaukee's commercial and
13 industrial customers. This \$1.1 million in cross connection control expenses should
14 therefore fall solely upon MWW's commercial and industrial customers. The wholesale
15 customers will be required to conduct their own cross connection control programs in
16 their own service areas. The cost of cross-connection control programs in the wholesale
17 communities will be paid for by the ratepayers of the wholesale communities. They
18 should not also bear the costs of the cross connection control program in Milwaukee.

19 **Q. Please discuss the fourth issue, MWW's unaccounted for water percentage.**

20 A. As discussed in Pat Planton's testimony, MWW's unaccounted for water percentage was
21 14% according to MWW's 2009 Annual Report. This percentage is very close to the
22 PSC's action range of 15%.

23 My previous work experience as a MWW Water Distribution Supervisor leads me
24 to believe that an extremely high percentage of the water losses in the MWW system can
25 be attributed to their distribution mains in their retail service area and not attributed to

1 their transmission mains. There may be a high number of distribution system leaks on
2 water mains, lead service laterals, gate valves and fire hydrants at any given time.

3 Unaccounted for water increases expenses. The water that is lost has already been
4 treated and pumped. Identifying and repairing system leaks would reduce chemical costs
5 associated with water treatment as well as reduce the energy costs associated with water
6 pumpage and treatment.

7 The wholesale customers should not bear increased costs because of MWW's
8 water loss from its distribution system. Just as costs related to the MWW's distribution
9 system are not allocated to the wholesale customers, costs associated with water loss
10 from MWW's distribution system should not be allocated to the wholesale customers. A
11 reasonable adjustment to the COSS related to unaccounted for water is set forth in Pat
12 Planton's testimony.

13 Each wholesale community maintains its own distribution system, and is
14 responsible for monitoring and repairing leaks in its distribution system. The customers
15 of the wholesale community pay the cost of monitoring and repairing leaks in the
16 wholesale community's distribution system, and bear extra costs related to unaccounted
17 for water related to the wholesale community's system. These customers should not also
18 bear costs related to leaks in Milwaukee's distribution system.

19 **Q. Please discuss the fifth issue, Milwaukee's capital improvement funding and**
20 **payments to the City of Milwaukee's general fund.**

21 A. As a wholesale customer of MWW, the City of Wauwatosa needs MWW to operate and
22 maintain a well-run water utility. We support a fair rate structure that provides sufficient
23 funds to operate and maintain the MWW system, and to repair and replace utility
24 infrastructure. Historically MWW's water main replacement program has truly lagged
25 behind where it needs to be.

1 However, I am concerned about the City of Milwaukee's intentions with regard to
2 the utility revenues collected. Instead of using utility revenues to repair and replace
3 utility infrastructure, the City of Milwaukee has indicated its intention of taking \$3
4 million annually from the MWW to the general fund. In the Milwaukee City Council's
5 resolution (Exhibit 1.7), the City stated that "[a]n increase in the rate of return to 5.4%
6 would generate sufficient cash for the Water Works to continue to produce high quality
7 drinking water and properly operate and maintain its extensive infrastructure and also
8 contribute a \$3 million dividend to the city general fund in 2010." The City's resolution
9 also stated that "[a] multi-year strategy of regular rate increases and cost containment
10 could make a \$3 million dividend a sustainable annual payment from the Milwaukee
11 Water Works to the general fund".

12 I am concerned about the City of Milwaukee siphoning off a \$3 million dollar
13 annual dividend from the MWW which would be contributed to the City's general fund
14 in 2010 and in future years.

15 As discussed in Eric Rothstein's testimony, MWW is depreciating its assets at a
16 much faster rate than it is replacing them. MWW is collecting money for depreciation,
17 but then is not spending it for its designated purpose which would benefit all utility
18 customers. I am concerned that the City will not retain sufficient funds for upgrading the
19 system because of the City's interest in pulling money out of the utility for an annual
20 payment.

21 Furthermore, the City already receives a substantial annual payment from MWW.
22 According to MWW's 2009 Annual Report, in 2009 MWW paid a property tax
23 equivalent to the City of \$9.4 million. This property tax equivalent provides that City
24 with much more than property tax reimbursement. The portion of the property tax
25 equivalent related to City property taxes is only \$4.1 million -- the rest of the property tax

1 equivalent is based upon the tax rates of the school district, and vocational school district,
2 but the funds collected by the City based upon these tax rates are not provided to the
3 taxing entities. Therefore, the City is already collecting a payment of more than \$5
4 million more than the property taxes that would otherwise be due to the City.

5 **Q. What relief is Wauwatosa seeking from the Commission?**

6 A. On behalf of the City of Wauwatosa, the Wauwatosa Water Utility and our customers, I
7 am asking the PSC to approve a fair and reasonable rate structure that (a) is fair to all
8 customer groups; (b) financially strengthens the Milwaukee Water Works so they can
9 reinvest in their infrastructure while continuing to deliver a reliable supply of high quality
10 water to our community; and (c) does not encourage the City to siphon funds from the
11 MWW. Eric Rothstein and Pat Planton will provide testimony on what specific
12 adjustments we would propose to the PSC's COSS.

13 **Q. Does this conclude your pre-filed testimony?**

14 A. Yes.

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